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CALIFORNIA STATE TREASURER PHIL ANGELIDES

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CALIFORNIA TREASURER ANGELIDES AND CALPERS INVESTMENT COMMITTEE CHAIR FECKNER JOIN WITH OTHER PENSION FUNDS IN URGING OPPOSITION TO CONTROVERSIAL MERGER OF WELLPOINT HEALTH NETWORKS, INC. AND ANTHEM, INC.

Major Public Pension Funds Join In Voting Shares to Oppose 'Egregiously Unwarranted' Pay For WellPoint Executives – Which Could Exceed a Half-Billion Dollars – If Merger Deal Goes Through

SACRAMENTO, CA – California State Treasurer Phil Angelides and Rob Feckner, Chairman of the Investment Committee of the California Public Employees' Retirement System (CalPERS), today joined with other pension funds to oppose the controversial merger of WellPoint Health Networks, Inc., the parent company of Blue Cross of California, and Indianapolis-based Anthem, Inc.

The pension fund officials said they would be voting as large institutional investors against the $16 billion-plus deal at shareholders meetings on June 28, and would continue to urge other shareholders to join them. The pension funds participating in today's announcement represent nearly $420 million in combined holdings in the two large health-insurance companies.

Angelides – who sits with Feckner on the board of CalPERS, the nation's largest public pension fund – and Feckner were joined in their opposition to the merger of the two large health-insurance companies by New York State Comptroller Alan Hevesi, representing the New York State Common Retirement Fund, the nation's second largest public pension fund; the New York State Teachers' Retirement System; the Los Angeles County Treasurer Mark Saladino, on behalf of the Los Angeles County Employees' Retirement Association, and the Illinois State Board of Investment. If shareholders approve the $16.4 billion merger on June 28 – WellPoint's meeting is in Westlake Village, Ca., and Anthem's is in Indianapolis – then WellPoint's top executives stand to receive a bonus, severance and stock option package that could exceed a half billion dollars.

Also announcing their opposition to the merger were Iowa Treasurer Michael Fitzgerald; Maine Treasurer Dale McCormick; the American Federation of Labor - Congress of Industrial Organizations (AFL-CIO); the Amalgamated Bank; and the American Federation of State, County and Municipal Employees (AFSCME) Pension Fund.

"We acknowledge that this is an uphill fight," Angelides said. "The executives who stand to benefit from these egregiously unwarranted pay packages have spent months lobbying on behalf of this merger. But as trustees of pension funds with nearly $420 million invested in these companies, we believe it is important to take a stand against super-sized executive compensation, because of the damaging effect it has on investors and pensioners, on the credibility of the nation's financial markets and on the very notion of fairness that underlies our economic strength."

"If this deal goes through, WellPoint's top management could walk away with more than a half billion dollars," said CalPERS' Feckner. "That is twice the amount of the annual efficiency savings projected from the merger. These astonishing sums can come from only two places: from the merged firm's shareholders or from the health consumers, including 7 million Californians, who pay its insurance premiums."

New York State's Hevesi said, "I am voting against the proposed merger of WellPoint and Anthem because I think it is inappropriate for several top managers to be granted $600 million in bonuses and severance payments. Given the growing focus on corporate governance and executive compensation, one would have expected the firms to have drafted a proposal that is reasonable to shareholders. As a large shareholder of both WellPoint and Anthem, I urge both companies to reconsider this plan."

Today's announcement follows steps taken earlier this month by Angelides and Sean Harrigan, President of the CalPERS Board of Administration, to urge the nation's largest public pension fund to oppose the merger. The two wrote a June 14 letter to fellow members of the CalPERS Investment Committee, urging them to oppose the merger. The Treasurer wrote a similar letter to CalSTRS.

At its June 14 Investment Committee meeting, CalPERS announced – as the Treasurer and Harrigan had recommended – that it would contact other major shareholders of WellPoint and Anthem and enlist them in opposing the merger at the June 28 shareholder meeting called to approve the deal.

At the time, CalPERS also urged Governor Arnold Schwarzenegger's Department of Managed Health Care (DMHC) to schedule a public hearing on the merger. Indeed, the Department announced earlier this week that it has scheduled a hearing on the merger for July 9 in Sacramento. CalPERS has asked the agency to condition its approval of any WellPoint-Anthem merger on the elimination of the excessive executive compensation packages that are now part of the deal.

In their letter, Angelides and Harrigan urged CalPERS to oppose the merger, "unless WellPoint's top management relinquishes these extraordinary payments." CalPERS owns 638,540 shares of WellPoint and 535,338 shares of Anthem as part of its indexed stock holdings, combined holdings worth nearly $117.2 million. Angelides and Harrigan also urged CalPERS "to enlist other major shareholders to do the same."

Hevesi, as the sole trustee of the New York State Common Retirement Fund, responded to that call. The New York State Common Fund owns nearly 1.2 million shares of WellPoint and 827,581 shares of Anthem, combined holdings worth nearly $205 million.

In addition, the New York State Teachers' Retirement System owns 359,096 shares of WellPoint and 433,187 shares of Anthem, combined holdings worth $77.4 million.

Saladino, the Los Angeles County Treasurer, said, "I applaud Treasurer Angelides' leadership in bringing institutional investors together to oppose sweetheart deals for corporate insiders. This effort sends a strong message concerning corporate responsibility to shareholders that will benefit all investors, from the largest pension funds to individuals with small retirement nest eggs."

The pension funds expressed particular concern that a disproportionate share of the payouts would go to a handful of top WellPoint executives, with the largest cut going to Leonard D. Schaeffer, the company's chairman and chief executive officer. According to WellPoint, Mr. Schaeffer, who will give up his CEO post to become chairman of the merged company, will receive $37 million in severance and additional amounts of enhanced retirement benefits and unvested stock options as a result of the merger. The company has also committed to increase that payout to cover Mr. Schaeffer's liability, if any, for the federal excise tax on excessive "golden parachute" compensation.

"Taken as a whole, this exorbitant compensation package for Mr. Schaeffer and the others rivals in audacity and excess the salary grab by ousted New York Stock Exchange Chairman Richard Grasso, and it simply cannot be justified," Angelides said.

In a filing with the State Department of Managed Health Care, and a statement by Anthem President Larry Glasscock, the two companies have asserted that Anthem – and not California health insurance customers – will fund the huge payouts to WellPoint executives.

"That means that the bounty proposed to be paid to WellPoint's top executives will come out of the pockets of shareholders," Angelides and Harrigan wrote in their June 14 letter. Given the way WellPoint proposes to pay off its top executives, they wrote, "it is hard to avoid the conclusion that this deal is designed to benefit them first, not the shareholders."

On October 26, 2003, WellPoint agreed to be purchased by Anthem for $16.4 billion in stock and cash. Earlier this month, it was revealed, in a document released by DMHC, that WellPoint's top executives stand to receive bonuses and severance payments of at least $147 million, and potentially as much as $356.4 million, as a result of the merger of the firms. In addition, WellPoint's executives could receive stock options valued at $251 million.